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SNC



**The SNC Group
Annual report
for the year
1978**

Highlights

Adjusted to take into account a two to one share split in 1977.

	1978	1977
Net sales	\$101,538,590	\$85,192,765
Net income for the year	\$ 3,653,094	\$ 3,210,262
Earnings per common share	\$1.24	\$1.10
Return on shareholders' equity	21.64%	22.36%
Book value per share	\$6.14	\$5.31
Working capital	\$ 17,145,092	\$15,146,872
Cash flow from operations	\$ 4,497,387	\$ 4,048,237

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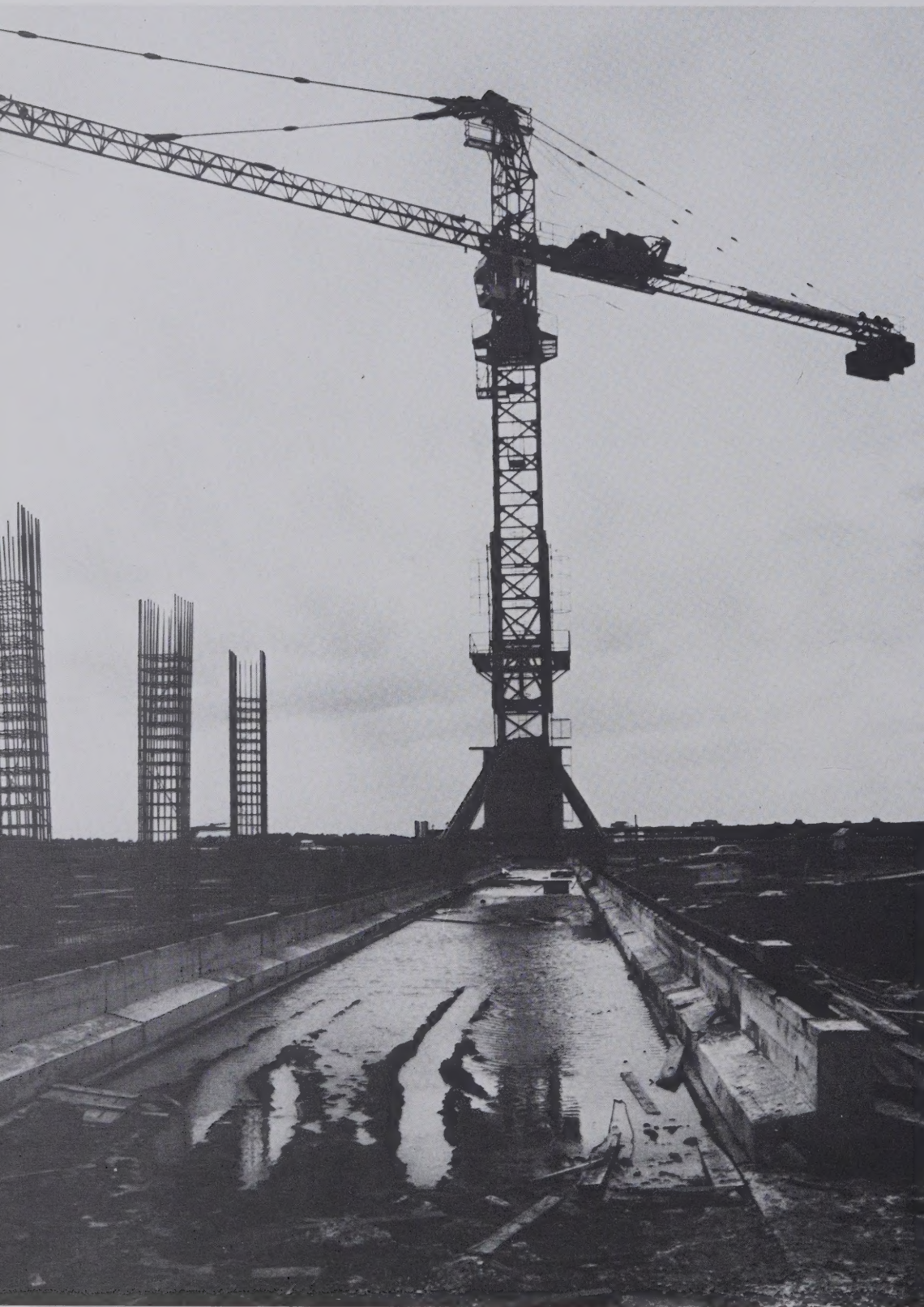


Our cover: The building, linking traditional architecture to ultra-modern function, for Teleglobe Canada's earth satellite station at Weir, in the Laurentians.

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In 1978 The SNC Group won the Award of Excellence, in the Chemical and Metallurgical category of the Canadian Consulting Engineering Awards program, for the Cinkur zinc complex in Kayseri, Turkey.



Construction of the main building in the \$167 million SONACOME foundry project in Rouiba, Algeria forged ahead last year. The challenging project was on schedule.

Sharing technology with the world

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The SNC Group is an employee-owned Canadian company operating nationally and internationally. With staff resources of close to 3,000, it is one of the largest Canadian organizations providing engineering, procurement, construction and project management services, and ranks among the top ten of its type in the world. In 1978 The SNC Group's volume of business surpassed \$100 million.

Some 49 per cent of these revenues came from Canada and the balance from operations abroad. In the course of 1978 members of The SNC Group worked on projects or studies in 39 countries, generating some \$60 million worth of Canadian, and over \$40 million worth of American export trade.

The enterprise groups over 30 affiliates and subsidiaries, some of them specialists in particular technologies and others responsible for specific marketing

regions in various parts of the world. There are operating companies of The SNC Group throughout Canada and the United States, in Europe and in Africa. The company has international marketing offices in England, France, Algeria and Saudi Arabia. International marketing is also carried out from the group's Canadian headquarters.

For projects anywhere in the world, The SNC Group can draw on a highly competent cosmopolitan staff with the ability to work in many different languages. Through affiliations with other engineers or manufacturing companies, it has access to some of the world's top technological talent.

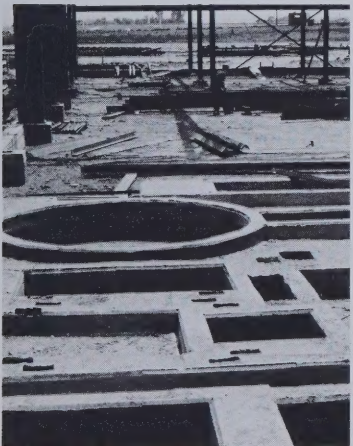
The SNC Group sees its primary role, in Canada and abroad, as the sharing and management of technology. A Canadian pioneer in project management, the group has developed precise skills and advanced systems for the planning and control of complex projects, in every type of industry, from concept to initial operation.

The competence of members of The SNC Group, as project managers and engineers, is proved by the high international

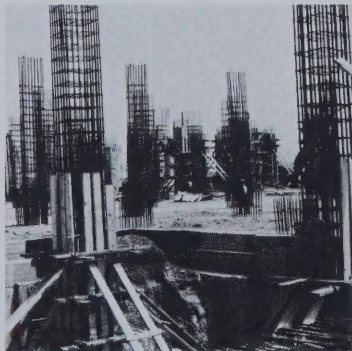
reputation they have gained since they entered the world market some 20 years ago.

The SNC Group is committed to the constant expansion of its technological expertise — through acquiring new companies, through consortia or joint ventures, or through its own research and development efforts. Likewise, the company pursues on-going training programs to increase and sharpen its management skills.

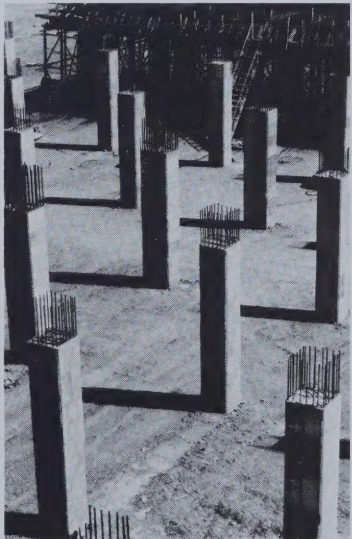
The SNC Group's success, as reflected in this annual report, proves that Canadian management and technology can compete with the world's best.



Structural steel and concrete is placed for the foundry school, an important feature of the SONACOME project — part of an integrated vehicle complex.



A forest of reinforcing steel rises for the main columns of the SONACOME foundry, one of The SNC Group's largest current projects on the international scene.



Concrete posts, now in place for part of the main SONACOME building at Rouiba. This will be a product-in-hand plant — a step beyond turnkey projects.



A \$1 billion project, the LG 3 site in the James Bay Hydroelectric Development will produce 2300 MW of power. An important part of this massive project is the South Dam, seen from the west last August.

Report to shareholders

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In line with our five year plan, in 1978 we achieved major objectives of geographic expansion. This will profoundly affect The SNC Group and its people. We are entering a period of transition at SNC that offers great challenges and high rewards.

The SNC Group is becoming a multinational company, carrying out engineering, procurement and construction not only in Canada but in many other countries. Having established ourselves in three of the four U.S. regions pinpointed in our plan, and set up operating offices of our U.S. holding company in New York, we shall see a growing number of exchanges across the border.

In 1978 we strengthened the management of SNC Group companies in Ontario and Western Canada. The planned growth we expect to follow will call for more mobility between our Canadian operations.

We also appointed a Vice-President — Europe in 1978, to create an active operating company in Great Britain and to expand our German company. Greater transatlantic exchange will therefore follow.

This shift to geographic expansion is a key part of our long-term plan. Our goal is to make our companies in the different geographic regions centres of growth, under strong management, with concentrations of technical expertise in their own right.

Although The SNC Group has worked on international projects for many years, this new dimension means that we must now make every effort to become true citizens of the world. We can no longer afford a narrow vision bounded by one province, one country or one continent. We

must become more open-minded and prepare to travel and to live in new places. In the multinational era we are entering, each of us must be prepared to play a role.

This international growth compensates for an extremely low rate of expenditure in Canada's resource and manufacturing construction sector, our traditional market. It enables us to maintain our technical and managerial strength for Canadian projects when the growth cycle in Canadian business recurs.

More complex managerial problems and a higher level of technology lie ahead of us. New technology — and its management and marketing — is the key to our economic future and corporate success. An important element in our plan, therefore, is to move actively into research and development, either on our own or in joint ventures. We are raising the level of management training, in project and corporate contexts, and will stress such programs in 1979.

We face a rigorous task, but it offers us great opportunities to grow and put to good use our

latent talents. To judge by the past performance of the people on our team, we shall overcome obstacles and meet or even surpass the objectives we have set.

In 1978 we took a step toward giving more employees a sense of commitment to The SNC Group, and a greater share of its material rewards, by enlarging the base for shareholder participation. Now anyone marking 10, 15, 20 or 25 years of service may buy a given number of shares. Response during the past year was excellent. In 1979 we plan to broaden the shareholding base among our staff in the U.S. and Europe.

The first of the founders of the employee shareholding agreement to meet the commitment of selling all his shares at 65, John Turcke, did so in 1978. I would like to thank him for his devotion and service to The SNC Group for close to 40 years, and particularly for his role on the board where, for the presnet, he will remain.

I would also like to thank Alphonse Galluccio, who retired in 1978 as one of the minority shareholders' representatives on the board of directors, for his two-year contribution. At the same time we welcome Nash Sidky, who replaced him as a director at the beginning of the year.

Finally, I thank all members of our staff, whose ability, effort and commitment made The SNC Group's performance successful in a difficult year.

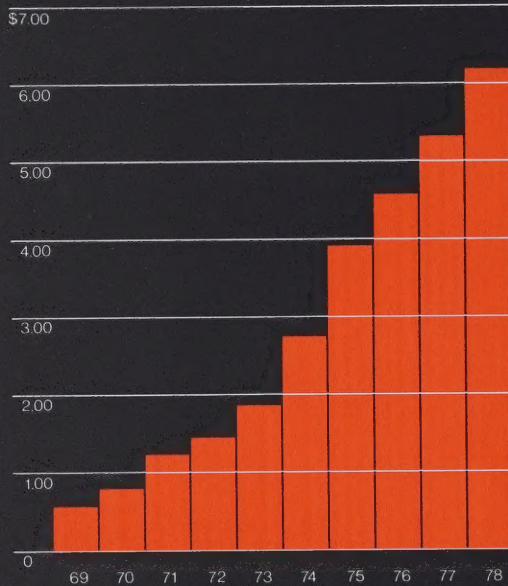


Camille A. Dagenais
Chairman
and Chief Executive Officer.

A handwritten signature in dark ink, reading "Camille A. Dagenais".

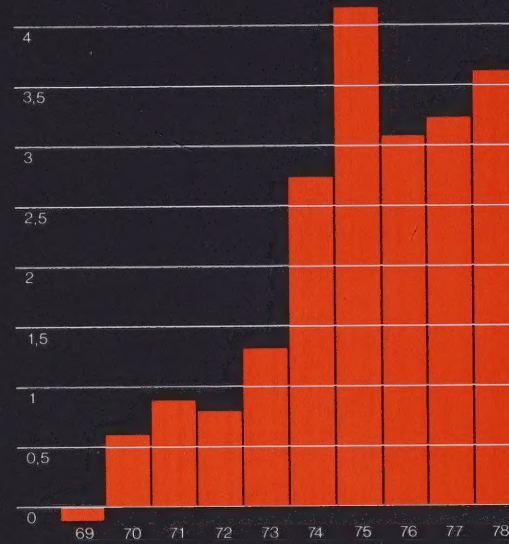
Book value per share

Adjusted to take into account a two to one share split in 1977.



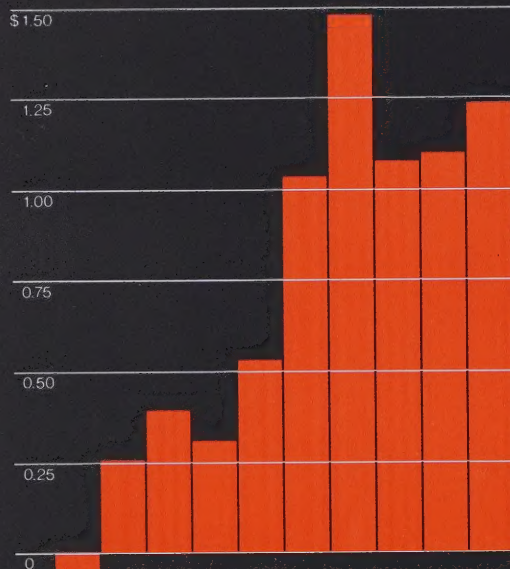
Net income

(000,000)
\$4.5



Earnings per common share

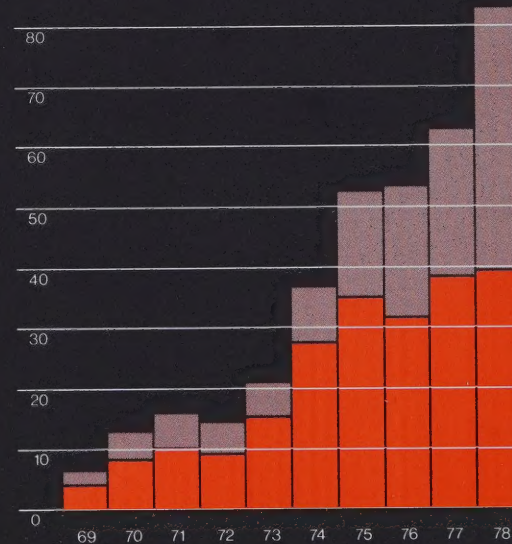
Adjusted to take into account a two to one share split in 1977.



Distribution of consulting revenues by geographic area

International Canada

(000,000)
\$90



Review of operations

Financial performance

The SNC Group enjoyed a successful financial year in 1978. Sales increased by 19 per cent and earnings improved steadily throughout the year.

Net income in 1978 was \$3,653,094 or \$1.24 per share compared to \$3,210,262 or \$1.10 per share in 1977. Sales of professional services amounted to \$82,937,730 and construction sales to \$18,600,860. These figures reflect the operations of companies acquired in the U.S. during 1978.

A year of growth and expansion

The growth in the volume of business can be traced, to a large extent, to a steady geographic expansion which broadened our markets at home and abroad. In 1977 The SNC Group's sources of revenue shifted sharply to projects outside Canada and in 1978 the trend continued, although less dramatically, as business in Canada continued to increase.

In Canada we broadened our coverage. We strengthened our on-going operations in Toronto and Edmonton by transferring senior management personnel. Toward the end of the year we formed a joint company with Keith Consulting of Regina. Keith/SNC will operate from Saskatoon to serve the rapidly developing uranium and potash industries and the whole spectrum of Saskatchewan's industrial market. In accordance with our five year

plan, we took our second and third steps into the United States during 1978. In the spring Singmaster & Breyer, of New York, merged its interests into The SNC Corporation, our U.S. holding company, giving us additional resources of 100 people. During the summer we formed a separate, jointly owned company with Benham-Blair & Affiliates Inc. of Oklahoma City, called The Benham-Blair/SNC Company. It is operating from Oklahoma City, drawing on the 400-strong resources of Benham-Blair, one of the top 60 design firms in the U.S., and those of The SNC Group. These companies, with The Hensley-Schmidt/SNC Company formed in 1977, assure us of an operating presence throughout most of the United States.

To meet a highly specialized market demand The SNC Group joined forces with two Canadian manufacturers, C.P. Fabien Inc. and Galt Equipment Ltd., to create Frigex Inc. It will provide clients outside Canada with equipment and services for refrigerated installations needed in the handling, storage, transport or processing of perishable products.

Another factor contributing to

The SNC Group's growth and profit picture in 1978 was the excellent performance of some of our subsidiaries and affiliates, a number of whom expanded in size to meet rising demand.

Sorès Inc., our subsidiary specializing in management consulting, socio-economic planning and development, established a firm foothold in the agro-industrial market with four major programs to their credit, three of them still in progress.

SNC Metaltech Ltd., our inspection arm, more than doubled its staff to meet the demands of new contracts in the Maritimes, Québec, Ontario, the U.S. and overseas.

Our construction company, Pentagon Construction Canada Inc., made its best showing of recent years in surpassing its bookings objective and entering 1979 with a higher backlog than it has had for some time.

DGB Consultants Inc., our telecommunications subsidiary, played an important engineering and project management role in the PANAFTEL telecommunications package being provided to five African countries by our affiliate, ELINCA Communications Ltd., a Canadian consortium of manufacturers and engineers.

The SNC Group's pulp and paper affiliate, SNC-Rust Ltd., and our chemical and petroleum



Jean-Paul Gourdeau
President
and Chief Operating Officer.



The emergency clinker storage silo, which will occupy the centre of the clinker storage hall, under construction at the Selvalegre cement plant in Ecuador.

affiliate, SNC/FW Ltd., both increased their personnel substantially to staff important on-going projects.

Throughout The SNC Group in 1978 the showing of subsidiaries and affiliates was, with few exceptions, encouraging. Next year we expect them to make an even greater contribution to our profits.

New projects in Canada

Among new capital projects in Canada was an engineer-procure-construct assignment for a 200 million pound a year high fructose sugar plant being built for Zymaize Inc. in London, Ontario at a capital cost of \$60 million. SNC/GECO also managed construction of a \$5 million modification and expansion of Bell Canada's assembly, office, maintenance, warehouse and garage complex on Norelco Drive, Toronto. SNC-Tottrup Services Ltd., of Edmonton, began study of a dam and flood control scheme on the Red Deer River in association with another Alberta firm.

Energy conservation programs undertaken by SNC/FW Ltd.'s Montréal and Edmonton offices for Imperial Oil Limited contributed substantially to our good sales picture, as did several other project management, engineering or construction assignments for this client. Stanchem awarded SNC/FW engineering, procurement, construction and project management of its \$6.6 million Beauharnois chlorine plant, rebuilt to a tight schedule following fire damage. Its Toronto team began a modernization and expansion of the asphalt plant at Shell's Oakville refinery. SNC's Chemicals and Petroleum Division studied the Q & M Pipeline,

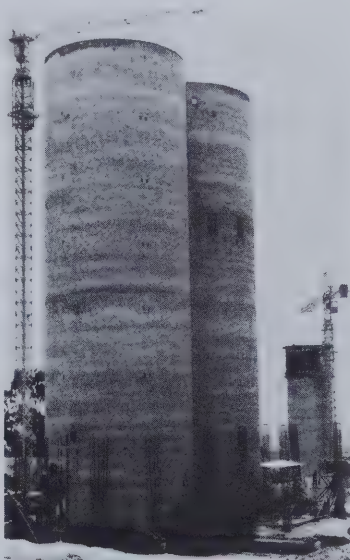
proposed to distribute Western natural gas throughout Québec and the Maritimes.

SNC Metaltech Ltd. obtained many electrical inspection contracts for Canadian power authorities and commenced inspection of Canadian-made generators for Venezuela's Guri Dam project. SNC Group teams carried out hydroelectric potential studies of northern rivers for Hydro-Québec and for Newfoundland and Labrador Hydro. We undertook and completed a review of Hydro-Québec's engineering studies of a 2000 MW pumped storage project at Lac Proulx on the Gatineau River. Sorès produced market studies of the options being considered by the Government of Canada in its plans to restore and revitalize Le Vieux Port de Montréal.

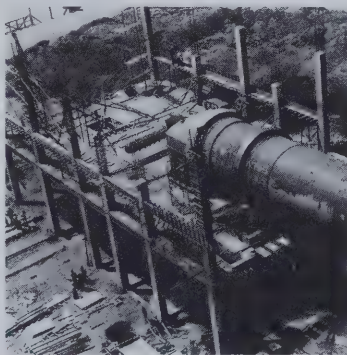
Detailed design began early in the year for a \$3.5 million hospital being built by the Government of Québec in Fort Chimo. SNC undertook design and project management of a \$2.5 million



Heavy construction moves ahead in a high Andean valley: the kiln and suspension heater tower for the Selvagre cement project, at the end of 1978.



Raw meal homogenizing and storage silos on the cement plant site at Selvagre. All silos for this project were slipformed in record time.



The kiln discharge and burner platform during construction last summer for the Selvagre cement project. The plant is being built at an altitude of 2,600 metres.

modification of Procter & Gamble's cakemix plant in Pointe Claire, Québec. During the year we worked on the building components program for a new convention centre in Hull, Québec and were chosen to provide estimating, cost control and project management services for one in Montréal.

Pentagon Construction Canada Inc. obtained a number of interesting contracts in Québec and Ontario. Notable were an \$11 million cheese factory for La Coopérative Agricole de Granby, a \$3.5 million feed mill for the Dominion Experimental Farm in Ottawa, a \$3.4 million reservoir in Toronto for the Ontario Ministry of the Environment and a \$3.7 million Metro station, Pentagon's third in the Montréal subway network.

New projects abroad

Owing to the cautious investment climate in Canada throughout the year, The SNC Group's

largest projects came from the international market. Early in 1978, an AES/SNC team began detailed design of an 800,000 tonne per year alumina plant to be built in Ireland by Alcan. We signed a three-year contract for energy consulting with the Government of Nepal, and an SNC team is now at work on master plans for energy development in that Himalayan country. With a joint venture partner we started phase 1 for a copper refinery expansion and modernization in Peru for Centromin. In Upper Volta, we carried out a feasibility study of the country's first hydroelectric project and obtained contracts to study two more rivers in this Sahel country.

Sorès made an important breakthrough when it embarked on a CIDA-backed Mali govern-

ment program of integrated regional agro-industrial development and implementation covering 35,000 square kilometres of land. The first phase alone will take five years, and much Canadian equipment will be exported for the program.

Pentagon obtained its first contract abroad — construction management and procurement for an \$18 million, 400-room hotel being built for Hoteles Turisticos in Panama. The project will spark the export of some \$11.8 million worth of goods and services.

On-going projects

We made excellent progress on large jobs both at home and abroad. With civil design virtually completed, and mechanical and electrical design in full swing, construction forged ahead on the 2300 MW LG-3 site in the multi-billion dollar James Bay hydroelectric development.



Work has begun on the \$130 million flood control dam in the Kairouan region of Tunisia. Some 25 SNC Group families are now on the site of the project...



Living in the project village. Built to a Tunisian design, the houses have features of traditional Tunisian architecture...



Features that not only mitigate but make use of the prevailing climate for heating and cooling... in a home away from home with all Canadian conveniences.

Nearer Montréal, construction of the building for Teleglobe's earth satellite station at Weir, in the Laurentians, was ahead of schedule.

The \$167 million SONACOME foundry project in Algeria moved into the last half of construction. Equipment totalling \$45 million in export dollars for Canada was shipped in 1978. Successful performance on this product-in-hand plant is an important achievement for The SNC Group, which illustrates our ability to manage large and complex projects from concept to initial operation.

North American equipment, material and services totalling close to \$35 million in value were exported for the 345,000 tonne cement plant being designed and built for Cementos Selvalegre in Ecuador, where construction moved ahead during 1978.



Suspension pre-heater and belt conveyor galleries at the Asment Temara cement plant at Rabat in Morocco.

Although work on the \$65 million Centromin zinc refinery expansion and modernization at La Oroya was cut back earlier in the year by the client, owing to Peru's economic situation, engineering, procurement and construction continued. Canadian and American equipment exported for this project totalled \$1.5 million.

Construction work began on the site of the \$130 million Sidi Saad flood control dam in Tunisia, a project management assignment scheduled for completion in 1982.

Work proceeded well on the \$500 million El Qaseem regional electrification project in Saudi Arabia, where an SNC Group team is now on site. We signed another contract in Saudi Arabia, to evaluate potential projects for the country's Industrial Studies and Development Centre, which brought us five assignments in 1978.

Construction of the \$15 million Grantley Adams Airport in Barbados was 65 per cent completed at year's end.



View of silos at Asment Temara cement plant. SNC loaned a cement expert to the supplier for this project.

Projects completed during 1978

Among projects completed during the year were the 200 MW Wreck Cove hydroelectric development in Nova Scotia, the \$70 million Memorial University Health Science Centre in Newfoundland, the Queen's University Health Centre in Ontario and, in Québec, the Mont Mégantic Observatory and a \$2.5 million expansion of Marine Industries Limited's Sorel shipyards. (CAIM) International Airport Consultants of Montréal Ltd., an affiliate of The SNC Group, completed its study of Cuzco airport in Peru.



On this assignment The SNC Group provided technical back-up to the U.S. equipment supplier, Fuller Company, and is now assisting in start-up at the Asment Temara plant.



A close-up view of the Mont Megantic Observatory shows the shutter in the centre of the dome which is pulled up and over as the dome rotates during viewing.

Recognition of excellence

Two SNC Group projects completed the previous year won Canadian Consulting Engineering Awards in 1978. The first prize, the Award of Excellence in the Chemical and Metallurgical category, went to the Cinkur zinc complex, an engineering, procurement and project management assignment in Turkey.

The Canada-France-Hawaii Observatory building earned an Award of Merit in the Structural category.

Toward a multinational role

The SNC Group's geographic expansion, and the increasing importance of large projects outside Canada, mark an important stage in our evolution as a multinational company. To meet the challenges of this evolution, in 1978 we restructured our organization and made a number of appointments from within and from outside the group.

Early in the year we appointed

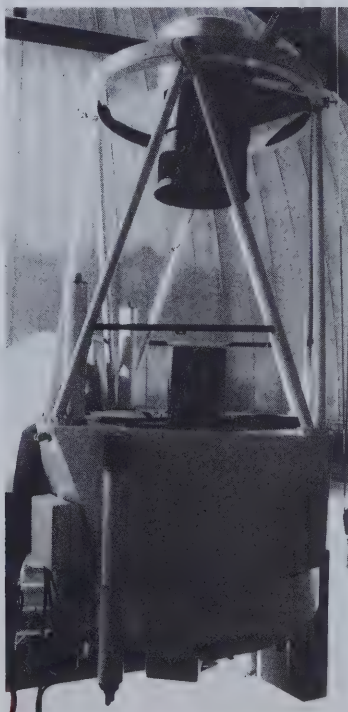
a Group Vice-President responsible for our operations in the U.S. and Ontario. We also named a Vice-President to be responsible for our Western Canadian operations. Both appointments were made from our Canadian management team. In the fall we appointed a Group Vice-President who will be responsible for European operations, working from a London base. We strengthened our management teams throughout Canada with the nomination of a new President of SNC Tottrup Services Ltd. in Edmonton and of an Executive Vice-President of SNC/GECO in Toronto. We appointed a Vice-President of The SNC Corporation, which is now operating from offices in New York.

We reorganized SNC International Ltd, appointing a new President who at the same time was made the Vice-President—Marketing of The SNC Group. In The SNC Group we named a new Vice-President—Financial Services and Administration, to allow the Vice-President—Finance to take over his role as a member of the Chief Executive Officer's team full-time. We also decided to include under the single responsibility of a Group Vice-President all our functional project and quality assurance disciplines which provide support services to The SNC Group's project task forces and make sure that all projects meet the company's standards of quality and performance.

Some of these moves made openings for our younger people to move up to head product and service divisions. All are part of our efforts to



The Mont Megantic Observatory, completed in 1978. Far from large population centres, at an altitude of 1,105 metres, it offers excellent viewing conditions.



The 1.5 metre Cassegrain-Coudé telescope at the Mont Megantic Observatory is the third largest in Canada.



Student astronomers are being trained here for later work in the Canada-France-Hawaii Observatory — an earlier SNC Group project.



New harbour works are proceeding apace at Warri Port, Nigeria. In the foreground, the elevated water tower, one of several elements in the water supply system, is being constructed.

build a strong and flexible team throughout The SNC Group. We have committed ourselves to making the management, marketing and operating teams who represent us in particular geographic regions as experienced and capable as those at headquarters. Our goal is to develop strong operating entities in all these regions. For The SNC Group it is a whole new era. Management and organization changes made in 1978 reflect our plans for restructuring the group to make a smooth transition to a multinational role.

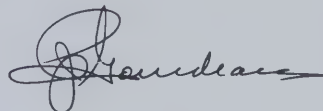
The immediate future

Prospects for 1979 are less encouraging than we would have

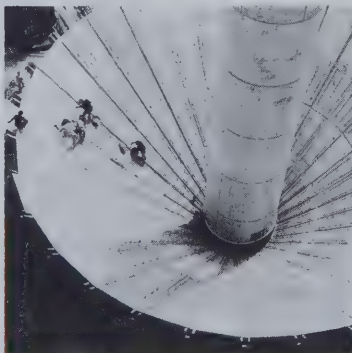
hoped a year ago. Predictions of a U.S. recession, and rising inflation in both the U.S. and Canadian economies, point to continued retrenchment in capital investments by the private sector. Canada's economy is not expected to improve in the course of the year, and nowhere in North America can we count on a buoyant climate in which manufacturing will expand and exports increase. Since many of our large projects will pass their peak or be completed next year, the 1979 economic situation will certainly have an impact on our operations. The most promising sector at present appears to be energy.

For The SNC Group, this means that we shall continue to depend heavily on overseas projects. It also means that we must manage our human and financial resources carefully to obtain the best results, and for some months management teams within The SNC Group have been working out detailed planning programs which we believe will enable us to maintain our volume of business in 1979 and to expand at a somewhat slower rate than in 1978.

Our good performance in the adverse circumstances of 1978 gives us good reason for optimism. Credit for this achievement goes, first, to all the staff of The SNC Group. I would like to take this opportunity to thank them for the exceptional efforts that have made this year a success.




Work is well advanced on the harbour control tower at Warri Port. The offices will be housed in the base and the control room on the platform at the top.



The thousand cubic metre water tank, before hoisting atop Warri Port's tower. The SNC Group is supervising the work of the designer contractors, Julius Berger Nigeria Limited.



Raymond post-tensioned hollow concrete piles at Warri are all driven and cut to grade, ready to support the deck of the wharf structure. Some are 30 metres long.

The SNC Group around the world

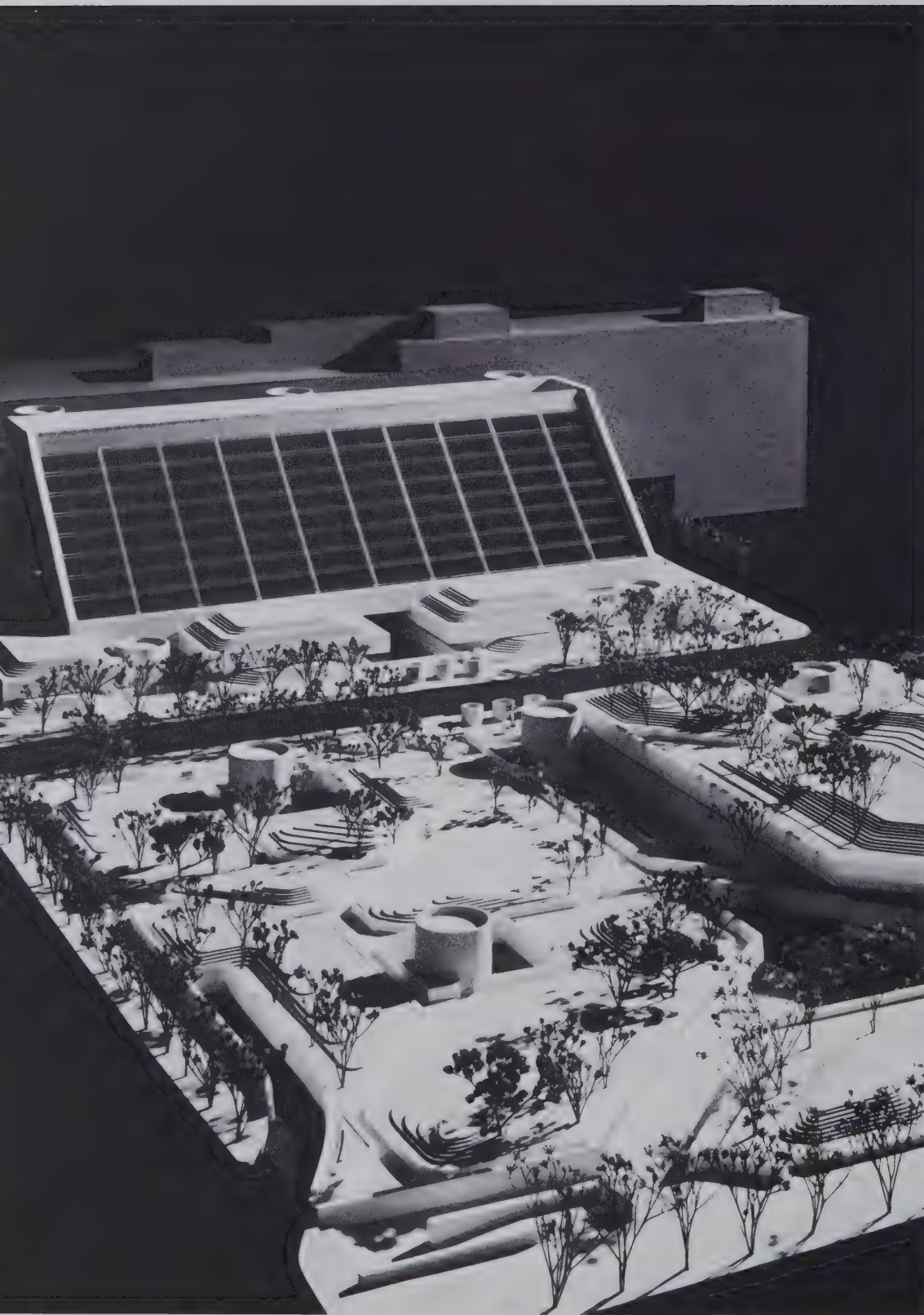




SNC Group offices



Countries where
The SNC Group has worked
on studies or projects



Benham-Blair & Affiliates Inc., joint owner with The SNC Group of The Benham-Blair/SNC Company of Oklahoma City, recently created an award winning design that brought them the contract for a solar heated and cooled government office building to be built in California.

To the Shareholders
of SNC Enterprises Ltd.

We have examined the consolidated balance sheet of The SNC Group as at December 31, 1978 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. For SNC Enterprises Ltd. and its subsidiaries, and those joint ventures audited by us, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other joint ventures not audited by us, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of The SNC Group as at December 31, 1978, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montréal, Canada, February 8, 1979

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated statements of income and retained earnings

for the year ended December 31, 1978

Income	1978	1977
Sales of services -		
Professional fees (note 5)	\$82,937,730	\$62,814,806
Construction	18,600,860	22,377,959
	101,538,590	85,192,765
Cost of services rendered —		
Professional fees	43,431,125	33,215,301
Construction	17,284,163	21,220,444
	60,715,288	54,435,745
Gross income	40,823,302	30,757,020
Administrative, selling and general expenses	34,307,292	25,220,694
Income before income taxes	6,516,010	5,536,326
Income taxes (note 6)	2,862,916	2,326,064
Net income for the year	\$ 3,653,094	\$ 3,210,262
Earnings per common share	\$ 1.24	\$ 1.10
Dividends per share	\$ 0.40	\$ 0.40

Retained earnings

Retained earnings, beginning of the year	\$13,009,011	\$10,959,103
Net income for the year	3,653,094	3,210,262
	16,662,105	14,169,365
Dividends paid (note 9)	1,209,039	1,160,354
Retained earnings, end of the year	\$15,453,066	\$13,009,011

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See accompanying notes

Consolidated balance sheet

December 31, 1978

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Assets	1978	1977
Current:		
Cash and short term deposits	\$18,095,895	\$ 7,277,337
Accounts receivable (note 7)	28,658,293	21,078,557
Contracts in progress at estimated billing value	10,746,716	14,282,510
Total current assets	57,500,904	42,638,404
Fixed assets (note 4)	4,814,672	3,285,026
Excess of cost of investments in businesses over the fair value of underlying net assets at acquisition	3,545,122	2,105,173
	\$65,860,698	\$48,028,603

Liabilities and shareholders' equity

Current:		
Down payments on contracts (note 7)	\$ 3,635,026	\$ 9,052,081
Accounts payable and accrued charges	17,084,142	11,429,718
Income and other taxes payable	3,615,937	1,522,671
Billings in excess of degree of completion of work	14,682,511	5,228,062
Instalments on long-term debt due within one year	1,338,196	259,000
	40,355,812	27,491,532
Deferred income taxes	4,876,146	3,876,271
Total current liabilities including deferred income taxes	45,231,958	31,367,803
Long-term debt (note 8)	2,430,760	1,128,412
Shareholders' equity:		
Share capital (note 9)	2,744,914	2,523,377
Retained earnings	15,453,066	13,009,011
Total shareholders' equity	18,197,980	15,532,388
	\$65,860,698	\$48,028,603

On behalf of the Board
C. A. Dagenais, Director
J.-P. Gourdeau, Director

See accompanying notes

Consolidated statement of changes in financial position

for the year ended December 31, 1978

Source of working capital:	1978	1977
Operations —		
Net income for the year	\$ 3,653,094	\$ 3,210,262
Add items not involving a flow of working capital:		
Depreciation and amortization	841,515	638,339
Increase in deferred income taxes	2,778	199,636
Total funds from operations	4,497,387	4,048,237
Issuance of share capital	221,537	297,022
	4,718,924	4,345,259
Application of working capital:		
Purchases of businesses —		
Purchase price	4,568,241	1,185,908
Less — working capital acquired	(3,753,033)	(673,375)
— long-term debt incurred	(2,094,168)	(892,042)
	(1,278,960)	(379,509)
Current portion of long-term debt	1,338,196	259,000
Purchase of fixed assets — net	1,452,429	772,632
Dividends paid	1,209,039	1,160,354
	2,720,704	1,812,477
Increase in working capital	1,998,220	2,532,782
Working capital, beginning of the year	15,146,872	12,614,090
Working capital, end of the year	17,145,092	15,146,872
Deferred income taxes	4,876,146	3,876,271
Working capital, end of the year, after deduction of deferred income taxes	\$12,268,946	\$11,270,601

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See accompanying notes

Notes to consolidated financial statements

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December 31, 1978

1. Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements of The SNC Group comprise the accounts of SNC Enterprises Ltd., its subsidiaries and its pro rata share of assets, liabilities, revenues and expenses of joint venture partnerships and companies.

The excess of cost of investments in businesses over the fair value of underlying net assets at acquisition is amortized over periods not exceeding 30 years (1977 — 40 years).

b) Revenue recognition on contracts

Revenue on contracts is recognized on the degree of completion basis. Anticipated losses, if any, are fully provided for in the accounts.

c) Proposal and selling expenses

All costs and expenses related to proposals and selling of services are expensed as incurred.

d) Fixed assets

Fixed assets are recorded at cost and are depreciated or amortized as follows:

— Office furniture and equipment, generally on a diminishing balance basis at 20% per year.

— Leasehold improvements, over the terms of the leases.

— Buildings, by various methods over 40 years.

e) Foreign currency translation

The accounts of The SNC Group, stated in foreign currencies, have been translated into Canadian dollars based on:

— The year-end exchange rate for current assets and current liabilities.

— Exchange rates in effect at the time of the transaction for other assets and liabilities.

— Exchange rates prevailing during the year for revenue and expenses.

All translation gains or losses have been included in the consolidated statement of income.

2. Acquisitions

In 1978 The SNC Group acquired interests in companies for a total consideration of \$4,568,000, payable \$2,474,000 in cash and \$2,094,000 with interest of 7%, payable over three to five years.

Of this amount, \$1,516,000 represents the excess of cost of investments over the fair value of underlying net assets at acquisition.

3. Joint venture activities

The SNC Group carries out part of its business through joint venture companies. The Group's pro rata share of the joint venture operations included in the consolidated financial statements is summarized below:

Statement of Income	1978	1977
Sales of services — professional fees	\$18,402,837	\$12,211,028
Net income	\$ 1,491,993	\$ 859,966

Balance Sheet

Cash and short-term deposits	\$ 3,404,975	\$ 2,577,894
Other current assets	10,877,654	5,696,383
Other assets	1,333,319	450,275
	\$15,615,948	\$ 8,724,552
Current liabilities	\$11,291,833	\$ 7,106,970
Long-term debt	583,050	—
Equity	3,741,065	1,617,582
	\$15,615,948	\$ 8,724,552

Amounts reflected above are before any elimination of transactions between such joint ventures and the other members of The SNC Group. These eliminations have been reflected in the consolidated financial statements.

4. Fixed assets

	1978	1977
Office furniture and equipment	\$4,982,748	\$3,738,388
Land and buildings	1,332,540	213,136
	6,315,288	3,951,524
Less accumulated depreciation	2,875,296	2,027,315
	3,439,992	1,924,209
Leasehold improvements less amortization	1,374,680	1,360,817
	\$4,814,672	\$3,285,026

5. Supply of equipment

The SNC Group's responsibilities under a long-term contract, in addition to professional services, include the supply of equipment for a fixed price of \$46,000,000. At December 31, 1978, most of this equipment has been purchased and delivered.

The difference between the contract value and costs related to this equipment is recognized in the consolidated statement of income under "Sales of services — Professional fees" based on the degree of completion of this contract.

6. Income taxes

Income taxes in the consolidated statement of income are composed of:

	1978	1977
Income taxes — payable	\$2,860,138	\$2,126,428
Income taxes — deferred	2,778	199,636
	\$2,862,916	\$2,326,064

The effective tax rate for both 1978 and 1977 differs from the statutory Canadian tax rates mainly as a result of investment income, foreign operations and capital gains and losses, taxed at different rates.

7. Bank guarantees and loans

Bank loans, bank guarantees and lines of credit are guaranteed by a general assignment of accounts receivable.

The SNC Group has provided bank guarantees aggregating \$10,351,000 as security for down payments received from foreign clients. Such guarantees are reduced in relation to the degree of completion of projects.

In addition The SNC Group has guaranteed its performance under a contract through a \$4,000,000 bank guarantee which will expire in 1984. The terms of the contract provide that, upon completion and acceptance of certain work phases, the guarantee will be reduced prior to maturity to \$400,000.

8. Long-term debt

	1978	1977
Balance of purchase price of leasehold improvements — 11.25%	\$ 384,865	\$ 415,370
Balance of purchase price of engineering firms against which the shares acquired have been pledged as collateral - 7%	2,775,342	862,042
Mortgage loan — 9.5%	199,648	—
Unsecured note — 10.5%	238,875	—
Other	170,226	110,000
	3,768,956	1,387,412
Less portion included in current liabilities	1,338,196	259,000
	\$2,430,760	\$1,128,412

Repayment of long-term debt is as follows:

1979 — \$1,338,196, 1980 — \$873,947, 1981 — \$473,508, 1982 — \$368,805, 1983 — \$234,341, subsequent — \$480,159.

Long-term debt of \$2,430,760 includes \$1,832,000 repayable in United States dollars. If this amount was translated into Canadian dollars at the year-end rate of exchange, the total Canadian dollar liability would have been increased by \$158,000 at December 31, 1978.

9. Share capital

Authorized:

100,000 6% non-cumulative preferred share of \$10 par value each, redeemable at the amount paid up thereon

6,000,000 common shares without par value

Issued and outstanding

	1978	1977
Number of common shares	2,964,936	2,925,986

Dividends paid of \$1,209,039 include taxes of \$33,681 paid to create tax-paid undistributed surplus.

10. Pension plan

As established by actuarial study, the past service obligation of The SNC Group for the benefit of its employees under the pension plan amounted to \$797,000 and is being amortized over a period of 17 years from January 1, 1974, date of inception of the plan.

11. Commitments

Commitments for annual basic rental under long-term leases amount to \$3,132,000 in 1979, decreasing to \$2,400,000 in 1988.

12. Contingencies

In the normal conduct of the operations of The SNC Group, there are pending claims by and against the Group. It is the opinion of management, based on the advice and information provided by counsel, that final determination of these claims will not materially affect the consolidated financial position or results of operations of the Group.

13. Statutory information

	1978	1977
Remuneration of directors and officers		
Number of directors	11	12
Number of officers	9	9
Directors who are also officers	4	5
Remuneration of the directors and officers as directors and officers of SNC Enterprises Ltd.	\$ 22,200	\$ 19,400
Remuneration of the directors as officers of subsidiary companies	\$443,000	\$372,900

14. Anti-inflation measures

The SNC Group was subject until December 31, 1978 to the anti-inflation program of the Government of Canada restraining professional fees and income, employees' compensation and shareholders' dividends.



Architect's model of an \$18 million, 400-room hotel to be built for Hoteles Turisticos in Panama City. Pentagon Construction Canada Inc. has the contract for project management and procurement.

Ten year operating and statistical summary

1. In thousands of dollars, excepting number of employees, earnings per common share and book value per share.
2. Earnings per common share, book value per share and common shares outstanding adjusted to take into account a two to one share split in 1977.

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Number of employees	2,800	2,200	2,200	2,300	2,400	1,700	1,200	900	880	550
Net sales										
Professional fees	82,938	62,815	53,034	52,680	37,290	21,034	14,836	16,147	13,352	6,868
Construction	18,601	22,378	20,065	25,714	24,082	19,704	15,263	10,735	5,016	193
	101,539	85,193	73,099	78,394	61,372	40,738	30,099	26,882	18,368	7,061
Income before income taxes										
Professional fees	6,410	5,525	5,852	8,789	5,968	2,729	1,302	1,277	1,388	20
Construction	106	11	(882)	(690)	(225)	51	326	755	218	(62)
	6,516	5,536	4,970	8,099	5,743	2,780	1,628	2,032	1,606	(42)
Income taxes										
Professional fees	2,810	2,321	2,335	4,319	3,100	1,391	660	725	964	34
Construction	53	5	(423)	(333)	(109)	28	158	391	83	—
	2,863	2,326	1,912	3,986	2,991	1,419	818	1,116	1,047	34
Net income for the year										
Professional fees	3,600	3,204	3,517	4,470	2,868	1,338	642	552	424	(14)
Construction	53	6	(459)	(358)	(116)	23	168	364	135	(63)
	3,653	3,210	3,058	4,112	2,752	1,361	810	916	559	(77)
Earnings per common share	1.24	1.10	1.07	1.49	1.04	0.53	0.32	0.39	0.26	(0.04)
Return on shareholders' equity	22%	23%	26%	45%	45%	32%	25%	40%	37%	(6%)
Book value per share	6.14	5.31	4.61	3.94	2.75	1.87	1.43	1.19	0.83	0.58
Common shares outstanding	2,965	2,926	2,863	2,795	2,756	2,603	2,577	2,378	2,191	2,191
Shareholders' equity	18,198	15,532	13,185	10,994	7,583	4,853	3,681	2,831	1,822	1,263
Working capital	17,145	15,147	12,614	9,749	7,939	3,293	2,572	1,607	706	—
Cash flow from operations	4,497	4,048	3,106	3,912	2,918	1,319	1,010	1,115	1,229	30



Board of directors

Camille A. Dagenais¹

Chairman and Chief Executive Officer, SNC Enterprises Ltd.

R. Guy Godbout¹

President, Les Industries Valcartier Inc.

Jean-Paul Gourdeau¹

President and Chief Operating Officer, SNC Enterprises Ltd.

Jack Hahn

Chairman, SNC/GECO

Stephen A. Jarislowsky¹

President, Jarislowsky, Fraser & Co. Ltd.

Frederick W. P. Jones²

Professor, School of Business Administration, University of Western Ontario

Frederick H. Peacock²

President, Peacock Investments Ltd.

Nash A. Sidky³

Vice-President, SNC Enterprises Ltd.

Jack D. Smith^{2 3}

Vice-President, SNC/GECO

E. W. John Turcke¹

Vice-President, SNC Enterprises Ltd.

¹ Member of the Executive Committee

² Member of the Audit Committee

³ Nominated by minority shareholders

An 82 foot tower for a new sour water stripper unit is lifted into place at Imperial Oil Limited's Montréal East refinery. This project management assignment is one of many jobs carried out for this client by SNC/FW Ltd. in 1978.

Corporate officers

Camille A. Dagenais

Chairman of the Board and Chief Executive Officer

Jean-Paul Gourdeau

President and Chief Operating Officer

Richard J. Balfour

Group Vice-President, Projects

Lionel H. J. Cook

Group Vice-President, Europe

Jean-Yves Côté

Group Vice-President, Products

Gaëtan Lavallée

Group Vice-President, Marketing

Alexander Taylor

Group Vice-President, Ontario and U.S.

E. W. John Turcke

Vice-President, Quality Assurance

Michael Pick

Vice-President, Development

Donald M. Reid

Vice-President, Finance

Alphonse Galluccio

Director of Financial Audits

Louis Grenier

Vice-President, Personnel

Jacques E. Lefebvre

Director of Public Relations

Joyce A. Borden Reed

Corporate Secretary and Legal Counsel

Nash A. Sidky

Vice-President, Administration and Financial Services

Clarkson, Gordon & Co.

Auditors

The Royal Bank of Canada

Bank of Montreal

Bankers

Product divisions

Gilles Fournier

Vice-President, Environment

Alan Pyatt,

Vice-President, Mining and Metallurgy

Louis Racicot

Vice-President, Industrial Plants and Buildings

Anthony Rustin

Vice-President, Chemicals and Petroleum

Marcel Sicard

Vice-President, Energy and Transport

Project service divisions

Richard W. Crudge

Vice-President, Construction

Ivars Kletnieks

Director, Procurement

Pierre J. Lamontagne

Vice-President, Engineering and Commissioning

Ted Papucciyan

Director, Project Management Services

SNC International Ltd.

Gaëtan Lavallée

President

Claude Bédard

Vice-President, Europe, Africa and Middle East

André Gilbert

Vice-President, Latin America

Jean-Pierre Lefebvre

Director of Marketing, Middle East

W. Ralph Lewis

Vice-President, Canada

William Magee

Vice-President, Southeast Asia and Central America

Douglas Russell

Vice-President

Claude Senneville

Vice-President, Québec

Jean Thierry

Senior Vice-President

Subsidiaries

Pierre Demers

President, DGB Consultants Inc.

Roméo Filiatrault

President, Reprotech Ltd.

Robert Gould

Vice-President, The SNC Corporation

André Grou

President, Sorès Inc.

Jack Hahn

Chairman, SNC/GECO

Gordon Hubbell

President, SNC Computation Ltd.

Alan W. Jackson

President, Pentagon Construction Canada Inc.

Spencer Jackson

President, SNC Tottrup Services Ltd.

Robert King

President, SNC Metaltech Ltd.

Vincent Romano

President, Singmaster & Breyer

Laval Samson

President, Terratech Ltd.

Alexander Taylor

President and Chief Executive Officer, SNC/GECO

Joseph Zemen

Managing Director, Deka Projekt Management und Ingenieurgesellschaft mbH

Affiliated companies

James Brown

President, SNC-Rust Ltd.

William Conner

President, The Benham-Blair/SNC Company

Sam Hensley

President, The Hensley-Schmidt/SNC Company

Anthony Rustin

Vice-President and General Manager, SNC/FW Ltd.

Alexander Taylor

Chairman, Canatom Ltd.



Excavation for the Montréal Urban Community pumping station was completed in 1978. Reaching 54 metres at its deepest point, it will hold the world's largest sewage pumping station, with a peak capacity of 5,670 cubic metres per minute.

The SNC Group

Holding company

SNC Enterprises Ltd.

Subsidiaries

Surveyer, Nenniger & Chênevert Inc.

Founder and main company of The SNC Group, providing comprehensive services in engineering, design, procurement, construction management and commissioning.

SNC Computation Ltd.

Data processing services.

SNC/GECO

Comprehensive services in Ontario. Mining and mineral processing.

SNC International Ltd.

International marketing.

SNC Metaltech Ltd.

Quality assurance services.

SNC (Nigeria) Ltd.

Comprehensive services in Nigeria.

SNC Services Ltd.

Engineer/procure/construct projects.

SNC Tottrup Services Ltd.

Comprehensive services in Western Canada.

SNC (U.K.) Ltd.

Comprehensive services in Britain.

Deka Projekt Management und Ingenieurgesellschaft mbH

Comprehensive services in Germany.

DGB Consultants Inc.

Systems engineering and telecommunications.

Exploratech Ltd.

Geological and mineral investigations.

Pentagon Construction Canada Inc.

Construction.

Reprotech Ltd.

Printing and reproduction.

Singmaster & Breyer

Engineers and project managers serving the process industries from New York headquarters.

Sorès Inc.

Socio-economic studies; operations and market research.

Terratech Ltd.

Geotechnical consultants.

The SNC Corporation

Comprehensive services in the U.S.

Associated companies

Arctec Canada Limited

Applied cold regions research and development.

(CAIM) International Airport Consultants of Montréal Ltd.

Airports.

Canatom Limited

Nuclear power and heavy water.

Canatrans Consultants Ltd.

Guided ground transport systems.

CIPM Canadian International Project Managers Ltd.

Large turnkey projects in socialist bloc countries.

Elinca Communications Limited

Turnkey telecommunications projects.

Frigex Inc.

Complete refrigerated and cold storage installations for the food industry.

Hensley-Schmidt Inc.

Engineering, environmental control services and transportation studies from south-eastern U.S. headquarters.

SNC/FW Ltd.

Engineering, procurement and construction services for the chemical and petroleum industries.

SNC-Rust Ltd.

Forest products technology.

The Benham-Blair/SNC Company

Comprehensive services from headquarters in Oklahoma City.

The Hensley-Schmidt/SNC Company

Comprehensive services from headquarters in Atlanta.

Joint venture

Keith/SNC

Comprehensive services in Saskatchewan.

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Litho in Canada

